



Fairfax County

Internal Audit Office

**Office to Prevent and End Homelessness
Business Process Audit
Final Report**

November 2015

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement and reconciliation within the Office to Prevent and End Homelessness (OPEH). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, value line purchase order payments, and monthly reconciliations.

We found that the department had effective procedures and internal controls in place for the handling of purchasing functions, and transactions had adequate evidence of compliance with county policy. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- FOCUS Marketplace transactions were not reconciled and properly documented for the period reviewed.
- The receipt of FOCUS Marketplace orders were not properly documented.
- The procurement card log did not properly document the card user and the return date.
- A signed Using Agency Director's Statement of Responsibility was not submitted to the Department of Purchasing and Supply Management (DPSM).

Scope and Objectives

This audit was performed as part of our fiscal year 2016 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to review the Office to Prevent and End Homelessness' compliance with county policies for purchasing processes and financial reconciliation. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included transactions from procurement cards, FOCUS marketplace, purchase orders and non-purchase orders that occurred during the period of July 1, 2014, through June 30, 2015. For that period, the department's purchases were \$23,222 for procurement cards, \$1,393 for FOCUS marketplace, \$10,673,230 for purchase orders, and \$36,805 for non-purchase order payments.

Methodology

Audit methodology included a review of the department's business process procedures with analysis of related internal controls. Our audit approach included an examination of expenditures, records and statements; interviews of appropriate employees; and a

review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

Findings, Recommendations, and Management Response

1. FOCUS Reconciliations

OPEH was unable to provide evidence that marketplace transactions were being reconciled to PaymentNet and FOCUS from July 2014, through June 2015. Also, the Reconciliation Certification Form was not used to document the completion of the FOCUS reviews.

Lack of a documented reconciliation decreases the accountability that the process is being performed in a complete and timely manner. In addition, errors and omissions could go undetected. Additionally, Accounting Technical Bulletin (ATB) 020 provides a Reconciliation Certification Form that is to be signed by the director or designee indicating that reconciliation was completed for a specific period for the financial transactions. This is to verify that the department's transactions have been reconciled and authorizer/approver verified.

Recommendation: OPEH should perform and document monthly marketplace reconciliations to PaymentNet and FOCUS records. The person performing the reconciliation should sign and date the reconciliation to evidence a timely preparation and review process. Additionally, OPEH should use the Reconciliation Certification Form provided by ATB 020 to complete the reconciliation of the financial transactions for a specific period. This form should be maintained on file by the agency.

Management Response: The Internal Audit report states there was no evidence that OPEH marketplace transactions were being reconciled to PaymentNet and FOCUS during fiscal year 2015. While the number of marketplace transactions for the entire year were very few (approximately 12 transactions in 12 months), the need for a formal reconciliation process is still necessary. Therefore, effective immediately, the Department of Administration of Human Services (DAHS) Financial Management division staff has now formally taken on this reconciliation function. Internal Audit has also recommended that a process for completion of the Reconciliation Certification Form be implemented to ensure the form is completed for a specified period, per ATB 020.

The agency has an approved Financial Reconciliation Plan on file with the Department of Finance (DOF). The reconciliation plan is in place for Department of Family Services (DFS) and OPEH, since DAHS staff perform reconciliations for both agencies. Therefore, the marketplace transactions for OPEH are now being sent to the DAHS Financial Management division staff performing the marketplace transaction reconciliations for DFS. Going forward, this team will also perform the reconciliations for OPEH. The same process will be followed for OPEH, whereby transactions will be matched to PaymentNet and FOCUS on a monthly basis. Once

the reconciliation is performed, the finance reconciler will initial and date the reports. The marketplace order documentation will be maintained with the PaymentNet and FOCUS reports, and appropriately filed together as evidence that reconciliation was performed.

The marketplace reconciliation process was initiated immediately and reconciliation has been performed retroactive to July 1, 2015. The process for completion of the Reconciliation Certification Form is currently being developed for implementation in January 2016. The agency plans to utilize the County's new data warehouse reports, which are due to be released sometime in the fall 2015, to perform the reconciliation function more efficiently and effectively. Thus, Internal Audit has granted an extension to January 2016 for DAHS to finalize the entire reconciliation process for DFS and OPEH to include the preparation of the Reconciliation Certification Form. Management anticipates completion of this item by January 1, 2015.

2. Receiving Marketplace Purchases

For all twelve FOCUS Marketplace transactions tested, there was no documented evidence that goods received were counted and compared to the packing slip and the original order. Also, two of the twelve transactions tested were not supported with an original packing slip. Procedural Memorandum (PM) 12-16 requires that all agencies verify goods received against the packing list and the original order. The packing list should then be signed and dated to document proper receipt of goods.

Failure to review the items received and compare them against the packing slip and the original order could cause the department to pay for goods that were not actually received. Also, if the packing slip is not retained on file it is harder to verify the proper receipt of the items ordered.

Recommendation: We recommend the receiving individual perform a review of items received against the packing slip and the original order. The receipt of the items must be documented by the receiver signing and dating the packing slip. The packing slip should be kept on file along with the original invoice and any other necessary documentation.

Management Response: DAHS has revisited the marketplace process with OPEH staff who will ensure that all deliveries will be checked in and packing slips dated and signed before forwarding all back up documentation to the appropriate DAHS Financial Management division staff for reconciliation. The recommended documentation process is currently being used. Management anticipates completion of this item by November 2015.

3. Transaction Logs

One of the p-card's transaction logs did not reflect the individual who was in possession of the p-cards and the timeframe that the card was in their possession. While OPEH used the standard procurement card log; the card user and the date returned fields were not completed on the log thus it did not give an accurate indication

of who was in possession of the p-card during a given time frame.

PM 12-02 indicates that “A system that tracks possession of the p-cards and records p-card purchases as they occur must be in place.” If possession of the p-card is not accurately tracked, the risk of not identifying fraudulent transactions in a timely manner is increased. Since the bank does not offer as much fraud protection for departmental cards as named cards it is imperative to accurately and completely track the possession and usage of the p-cards.

Recommendation: We recommend that each purchase is accurately recorded on the procurement card log indicating the card user and the date the card was returned.

Management Response: The Internal Audit report states that one of the P-card transaction logs did not reflect the individual who was in possession of the card and the timeframe the card was in their possession. In reviewing the documentation provided by Internal Audit, we found the standard County P-card form was being used. However, due to the unique use of this particular P-card to pay third party hotel rooms for clients and for County staff who are traveling, the P-card was not checked out to anyone. The primary and the secondary p-card custodians do not remove the card from the premises. The P-card is used to complete third-party payment forms. The date the form is completed is currently noted on the log and the beneficiary of the payment is noted as the buyer. The third party payment form requires the signature of the person authorizing the payment so the documentation clearly reveals which DAHS finance staff initiated each P-card transaction. However, since Internal Audit is recommending this information be tracked on the actual P-card log, the log sheet has been revised.

The P-card log sheet now includes a column to capture the name of the employee who initiated the third party payment form, the date the card was taken from the locked file and returned to the locked file. This information will be supported by the transaction documentation showing the same employee's signature and date on the third party payment forms. The standard P-card log form was revised on Oct 7, 2015 to include the new columns. The revised form is currently being used. Management anticipates completion of this item by November 2015.

4. Using Agency Director's Statement of Responsibility

OPEH did not forward a signed copy of the Using Agency Director's Statement of Responsibility to DPSM. PM 12-02 states that: “The agency director is required to sign this form prior to the agency's initial participation in the p-card program. When the director leaves the agency, the Program Manager should have the new director sign the form and forward the original to DPSM.”

Failure to have a signed Using Agency Director's Statement of Responsibility on file decreases accountability and increases the risk of operating the p-card program outside of County guidelines.

Recommendation: We recommend OPEH forward the signed Using Agency

Director's Statement of Responsibility to DPSM and maintain a copy at the agency.

Note: During the audit, the form was signed and forwarded to DPSM. No management response is needed for this item.